

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Nine)

Docket No. RM2015-2

PUBLIC REPRESENTATIVE INITIAL COMMENTS
ON REVISIONS TO PROPOSAL NINE

(June 3, 2015)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Commission Order No. 2496.¹ In that Order, the Commission solicited comments from interested persons on revisions to Proposal Nine addressing matters raised at an April 14, 2015 technical conference² and a notice concerning the filing of two library references.³

II. BACKGROUND

The Postal Service originally filed a petition to initiate a proceeding to consider proposed changes to analytical principles related to periodic reporting (Proposal Nine) on October 31, 2014.⁴

Proposal Nine seeks to refine the split of city carrier costs into office and street components. The Postal Service currently uses the In-Office Cost System (IOCS), a sampling system, to separate city carrier costs into office costs (cost segment 6) and street

¹ Notice of Revisions to Proposal Nine and Request for Comments, May 20, 2015 (Order No. 2496).

² Report of the United States Postal Service Regarding Matters Raised at the Proposal Nine Technical Meeting, May 8, 2015 (Report).

³ Notice of Filing of USPS-RM2015-2/3, USPS-RM2015-2/NP2, and Application for Nonpublic Treatment, May 8, 2015 Notice (May 8 Notice).

⁴ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Nine), October 31, 2014 (Petition). The Petition was accompanied by public and non-public Excel files.

costs (cost segment 7). It proposes to replace IOCS data with Time and Collection System (TACS) census data.

The Commission issued two Chairman's Information Requests (CHIRs) before the comment deadline.⁵ CHIR Nos. 1 and 2 sought information relating to, among other things, the attribution of vehicle loading/unloading time, the Postal Service's proposed data reporting for route groups, the impact of Proposal Nine on source SAS programs and calculations and related IOCS data processing software, and impacts on other cost segments.

The Public Representative's initial comments expressed concerns about the attribution of load/unload activity in the Postal Service's CHIR responses.⁶ PR Comments at 5. The Public Representative suggested that the Postal Service provide a clear and detailed description for the methodology of its split within load/unload activity as well as the further attribution of costs currently classified as load/unload activity in cost segment 6. *Id.* at 7. Additionally, the Public Representative recommended that the Postal Service provide all relevant documentation illustrating the results of the methodological updates associated with Proposal Nine to ensure that all statutory and regulatory requirements have been met. *Id.* at 8.

The Postal Service subsequently provided additional information about the intended allocation of IOCS tallies during the load/unload function in reply comments.⁷

The Public Representative responded to the reply comments, recommending that the Postal Service provide documentation showing the results of the methodological updates of Proposal Nine as soon as this information becomes available.⁸

The Commission then issued a third CHIR requesting additional clarifying information.⁹ Following the Postal Service's Response to CHIR No. 3¹⁰, it scheduled a technical meeting

⁵ Chairman's Information Request No. 1, November 14, 2014 (CHIR No. 1); Chairman's Information Request No. 2 (CHIR No. 2), November 26, 2014 (CHIR No. 2).

⁶ Initial Comments of the Public Representative, December 3, 2014 (PR Comments).

⁷ Reply Comments of the United States Postal Service, December 5, 2014 (Reply Comments).

⁸ Public Representative Response to Reply Comments of the United States Postal Service, December 12, 2014 (PR Response).

⁹ Chairman's Information Request No. 3, February 13, 2015 (CHIR No. 3).

¹⁰ Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 3, February 23, 2015 (Response to CHIR No. 3).

on April 14, 2015 in order to allow Commission staff and other interested parties to discuss issues relating to Proposal Nine.¹¹

After the technical meeting, the Postal Service filed a Status Report, which discussed different matters raised at the technical meeting.¹² The Postal Service filed the Revised Proposal on May 8, 2015.¹³

III. SUMMARY OF THE UPDATES TO PROPOSAL NINE

The Revised Proposal contains multiple refinements to the original, including:

1. Updating the methodology for identifying working status as in-office, on-street or training, and recalculating the costs associated with various carrier activities and clocking status;
2. Refiling the CS06&7 workbook and incorporating numerous aspects of Proposal Nine proffered by the Postal Service after the original filing;
3. Modifying the SAS program to reflect relevant updates to LDCs and MODs Operations;
4. Fixing errors from the original filing of CS06&7 workbook, making relevant structural changes, and relabeling numerous headers throughout the workbook; and
5. Recalculating cost impacts from the original proposal.

IV. COMMENTS

The Public Representative has reviewed the Revised Proposal and the documentation filed in the supporting library references, both publicly and under seal. The Public Representative has also compared the updated documents with those filed with the original Proposal Nine and provided with the Responses to CHIR Nos. 1-3. The Public Representative concludes that the Revised Proposal contains multiple micro changes to the

¹¹ Notice and Order Concerning Technical Meeting, April 6, 2015 (Order No.2425).

¹² Status Report of the United States Postal Service Regarding Matters Raised at the Recent Proposal Nine Technical Meeting, April 17, 2015 (Status Report).

¹³ Report of the United States Postal Service Regarding Matters Raised at the Proposal Nine Technical Meeting, May 8, 2015 (Report); Notice of Filing of USPS-RM2015-2/3, USPS-RM2015-2/NP2, and Application for Nonpublic Treatment, May 8, 2015 (collectively "Revised Proposal").

original Proposal Nine, which are not always adequately justified. To ensure transparency, before the Commission approves Proposal Nine, the Postal Service should provide additional information on numerous parts of the Revised Proposal. Some major concerns are described below.

The Postal Service's Revised Proposal lists seven components of Proposal Nine. However, for all components, except Component 1, their description is either identical to the description provided in the original filing, or does not result in any actual methodological changes.¹⁴ In the Revised Proposal, the primary modification to Component 1 includes re-classification of the carrier's working status. While in the original Proposal Nine city carrier's activities were classified as either in-office or on-street, the Revised Proposal adds the third working status category: training. Consequently, in the Revised Proposal, costs for training are allocated separately.

While the segregation of training as a special working status category can be conveniently performed in accordance with the MODS types,¹⁵ it still causes some confusion when evaluating the Revised Proposal. The Postal Service's stated purpose in Proposal Nine is to utilize TACS data and refine the decomposition of city carrier accrued costs into office costs (cost segment 6) and street costs (cost segment 7). The Postal Service correctly identifies treatment of training costs among complications that arise during this process.¹⁶ Although in the Revised Proposal, "LDC 92 (Training) is now incorporated as a separate control total for allocating costs for training"¹⁷ this is merely an intermediate step. The Postal Service needs to further classify the corresponding training costs as related to either the office activity (cost segment 6) or street activity (cost segment 7). The Postal Service filings

¹⁴ Please compare Report of the United States Postal Service Regarding Matters Raised at the Proposal Nine Technical Meeting, May 8, 2015 at 3-6 and Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Nine), October 31, 2014, at 3-5.

¹⁵ See the Excel worksheet "Train.Clock.Costs.byRouteGrp.xls" and SAS program "Reweight.IOCS.Tallies.Agg.Doll.Wgts.sas" filed with the Revised Proposal.

¹⁶ Report at 1.

¹⁷ *Id* at 7.

do not provide any step-by step explanation or justification regarding distribution of training costs between cost segments 6 and 7.¹⁸

The Postal Service states that the percentage of hours that city carriers spend on the three designated activities (in-office, on-street and training), will be obtained by roaster designation group and by route group.¹⁹ It appears that the Revised Proposal includes some modifications to LDCs and MODS operations reflected in the worksheets as well as an updated SAS program. The Postal Service also modifies the Carrier Mixed Mail (CARMM) program so that so that it distributes “mixed mail by route groups rather than by route type.”²⁰ Regrettably, the Revised Proposal does not appear to include any additional explanation in support of this statement, and it is not even fully clear what sub-component of Component 1 will be affected by this modification. In the Revised Proposal, one of the excel files contains costs distribution by route group (Mixed, Regular and SPR) and MODS type (Office, Street and Training).²¹ However, the Postal Service does not include a preface to the library reference or explanation linking the provided worksheet to the modified CARMM program.

In general, the Revised Proposal does not provide much clarity regarding the changes that were actually made to the original Proposal Nine. The Postal Service’s brief rundown of the corresponding refinements (Report at 6-7) is in no way linked either to the components of the Revised Proposal (Report at 3-5) or to any worksheets filed with the Revised Proposal.

The Public Representative appreciates the inclusion of the SAS program with the modified IOCS tallies with the Revised Proposal. However, because the implementation of Proposal Nine would have a broad impact on multiple Postal Service’s models (including the overall CRA model) the Public Representative recommends that the Postal Service provide all the updated documentation to the Commission before approval of the Revised Proposal.

¹⁸ Training costs, combined with support costs, are reflected in numerous spreadsheets of both segments 6 & 7. See e.g. Revised Proposal, CS06&7_TACS, worksheet 7.0.4.1, line 49 “Support/Training” and worksheet 6.0.3, line 19 “Support/Training (All Routes Except 99)”.

¹⁹ Roaster destination groups include full time regular or part time casual / transitional. There are two types of group routes – letter routes and special purpose routes (SPR).

²⁰ Report at 7. However, it is not clear if the Postal Service filed this program or at least included any extraction from the program in the Revised Proposal filings.

²¹ Revised Proposal, Train.Clock.Costs.ByRouteGrp.xls

Without such information, the Commission cannot ascertain that the Revised Proposal meets all statutory and regulatory requirements.

V. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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